

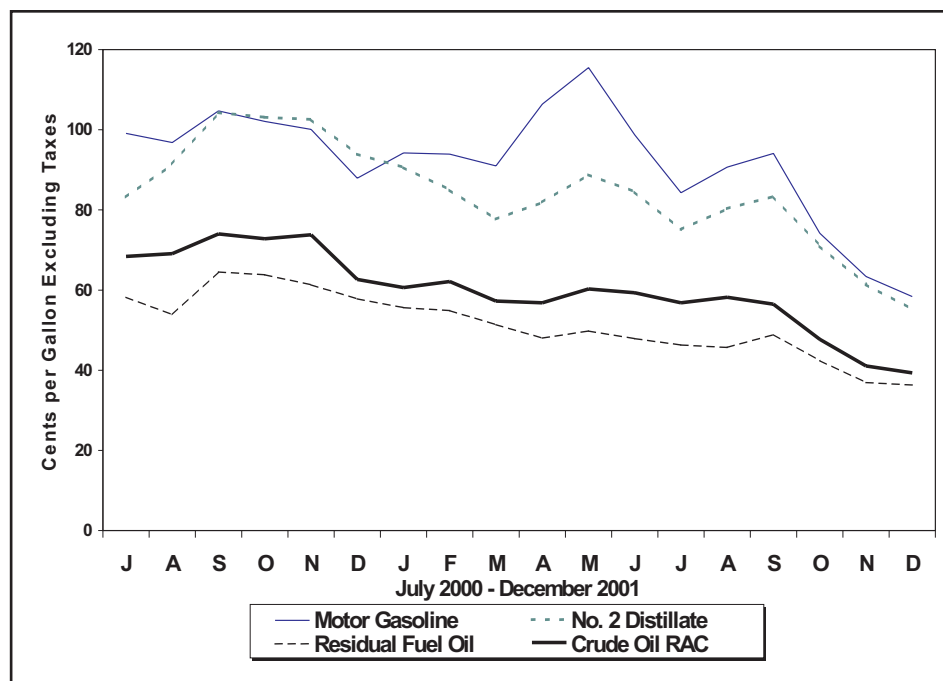
Highlights

Largely in response to efforts by a number of producer nations to boost sagging prices, international crude oil prices began to rise in December. Adverse economic conditions, slow demand, and high inventories of crude oil and finished products across global markets during the past several months have pressured prices to some of their lowest levels in more than two years. The price slump continued through the beginning of December as Organization of Petroleum Exporting Countries (OPEC) and major non-OPEC producers continued to negotiate the terms involved in a production and export cuts agreement. The intended outcome of the agreement is to provide a foundation for prices to grow through a reduction in supply levels. By mid-month Russia, Norway, Mexico, Oman, and Angola had pledged to reduce output by a total of 462,500 barrels per day. On December 28, OPEC officially announced its output reduction of 1.5 million barrels per day for a six-month period beginning January 1, 2002. The cut represents a 6.5 percent decrease from the group's previous production level. Additionally, a drop in crude oil exports from Iraq over the span of the month provided at least a modicum of support for prices. Phase 11 of the U.N. "oil-for-food" deal with Iraq became effective December 1, but evidence suggests that exports were lower than in recent months.

Amid continuing unfavorable conditions in the general U.S. economy, high stock levels of crude oil and finished products along with enervated demand for them continued to influence price trends throughout regional markets during December. Refining margins continued to be on the thin side, spurting talk of runs cuts in addition

to a heavy slate of refinery turnarounds in the first quarter of 2002. Unlike last year at this time, unseasonably warm temperatures helped dampen demand for heating fuels. However, cold and inclement weather in Europe provided the opportunity to export part of the overflow of distillates and lent a degree of support to prices. A comparison of current and year-ago monthly average spot market prices for various products illustrate the changes the petroleum products marketplace has undergone during the past year. The price for No. 2 heating oil shows the most dramatic difference: 52.4 cents in December 2001 compared with 93.8 cents in December 2000. The prices for regular gasoline and West Texas Intermediate crude oil also show a significant amount of change. For gasoline the December 2000 price was 73.7 cents per gallon while the average price this year was 51.7 cents per gallon. The crude oil price was \$28.44 per barrel last year, while the December 2001 price was \$19.39 per barrel.

Figure HL1. Crude Oil and Petroleum Product Wholesale Prices



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners' /Gas Plant Operators' Monthly Petroleum Product Sales Report."

Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	December 2001		November 2001		December 2000		December 2001		November 2001		December 2000	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	68.4	60.6	76.8	59.7	106.3	62.0	58.4	302.1	63.4	297.5	87.9	304.1
Conventional	67.2	33.5	72.8	33.3	100.8	35.1	56.8	195.7	59.8	191.8	82.7	192.8
Regular	64.0	25.2	69.6	25.2	97.6	26.3	55.3	159.1	58.3	155.9	81.1	156.5
Midgrade	72.8	4.3	79.0	4.2	107.2	4.8	60.5	11.1	63.9	11.2	87.3	12.6
Premium	81.1	4.0	87.3	3.9	114.5	4.0	64.6	25.5	67.8	24.7	90.9	23.7
Oxygenated	74.4	4.4	86.2	4.2	113.1	4.1	64.0	11.7	73.2	11.7	97.9	12.8
Regular	71.6	3.4	83.5	3.2	109.6	3.1	62.6	9.1	72.0	9.1	96.6	10.0
Midgrade	79.3	0.6	90.7	0.6	119.9	0.6	64.3	1.3	72.1	1.4	97.5	1.5
Premium	90.1	0.4	101.9	0.4	130.1	0.4	73.5	1.3	83.1	1.3	108.1	1.2
Reformulated	69.1	22.7	81.0	22.2	113.4	22.9	61.0	94.7	69.5	93.9	96.9	98.5
Regular	64.7	16.0	76.6	15.8	109.1	16.1	58.2	69.9	66.3	69.4	93.7	72.9
Midgrade	75.6	3.2	87.7	3.1	119.7	3.5	64.8	8.1	75.5	7.9	103.9	8.6
Premium	83.4	3.5	95.7	3.4	127.7	3.3	71.2	16.7	79.8	16.6	107.0	17.0
Aviation Gasoline	115.8	0.1	119.4	0.1	126.1	0.1	94.9	0.4	100.5	0.5	128.3	0.4
Kerosene-Type Jet Fuel	55.6	45.8	62.5	45.4	99.7	50.5	55.1	13.9	61.9	16.3	99.0	14.2
Propane (Consumer Grade)	40.2	4.1	43.5	3.5	66.8	2.6	38.4	47.0	41.6	38.8	76.7	52.0
Kerosene	97.7	0.2	100.9	0.1	122.7	0.5	58.6	2.8	63.5	2.1	105.8	3.7
No. 1 Distillate	68.2	0.4	76.6	0.4	105.8	0.6	64.2	3.1	73.2	2.4	107.8	4.6
No. 2 Distillate	61.1	22.4	68.1	24.6	99.9	26.7	55.2	121.8	61.4	124.1	93.9	130.0
No. 2 Fuel Oil	62.7	3.1	65.8	3.4	101.5	3.4	56.6	29.7	60.6	24.0	94.1	33.9
No. 2 Diesel Fuel	60.9	19.3	68.4	21.2	99.7	23.4	54.7	92.0	61.6	100.1	93.8	96.1
Low Sulfur	62.4	12.7	70.3	14.2	101.7	15.2	54.8	80.7	61.9	88.5	94.1	79.4
High Sulfur	57.9	6.6	64.7	7.0	96.0	8.1	54.6	11.3	60.0	11.7	92.2	16.7
No. 4 Fuel^a	53.5	0.4	54.5	0.5	87.4	0.6	56.3	0.1	59.0	0.1	82.2	0.3
Residual Fuel Oil	42.1	11.7	43.2	11.3	62.5	19.4	36.3	10.5	36.9	8.8	57.9	10.2
Sulfur Content not > 1 %	51.2	2.5	52.3	2.5	75.8	5.6	40.1	6.3	40.5	5.1	66.6	4.7
Sulfur Content > 1 %	39.7	9.2	40.6	8.8	57.0	13.8	30.6	4.2	31.9	3.6	50.6	5.5

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Additional December market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

While the daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma continued to be affected by high stock levels, particularly at the start of December, news of production cuts by OPEC and other major producers helped lift the price during the latter part of the month. Opening at \$19.46 per barrel, the price tracked downwards during the first two weeks of the month, hitting the low of \$18.04 per barrel on December 11. Following more news regarding produc-

tion cuts agreements, the price began to rally, reaching its high of \$21.32 per barrel on December 26. Closing at \$19.96 per barrel, the price was essentially at the same level where it began the month.

- Monthly average crude oil prices declined in all categories again in December, although the decreases were less pronounced than the ones seen in November. The average domestic crude oil first purchase price fell \$1.00 (6.1 percent), to \$15.49 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil hardly changed, falling 7 cents (0.5 percent), to \$15.00 per barrel. The average landed cost of foreign crude oil fell 43 cents (2.6 percent), to \$15.80 per barrel.

- The average refiner acquisition cost for domestic crude oil shows the greatest amount of change, declining \$1.65 (8.7 percent), to \$17.34 per barrel. The average cost of imported crude oil to U.S. refiners shows little change, declining 11 cents (0.7 percent), to \$15.95 per barrel. The composite refiner acquisition cost for crude oil dropped 72 cents (4.2 percent), to \$16.52 per barrel.

Petroleum Products

Motor Gasoline

While relatively solid demand and lower production rates supported the daily spot price for regular gasoline at New York Harbor during December, the trends in crude oil prices also set its movements. Opening at 51.2 cents per gallon, the price declined gradually until it reached its low of 46.9 cents per gallon on December 11 amid poor refining margins. Firming after that point, the price rose to its high of 57.0 cents per gallon on December 26. Closing at 57.7 cents per gallon, the price 6.5 cents higher than where it started the month.

- For the third month in a row, national average gasoline prices show decreases in all categories. The average price in December for retail sales of motor gasoline by refiners fell 8.4 cents to 68.4 cents per gallon. The average wholesale price declined 5.0 cents to 58.4 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets dropped 7.4 cents to 69.1 cents per gallon. The average wholesale price fell 4.9 cents to 59.0 cents per gallon. The average dealer tank wagon (DTW) price dropped 8.6 cents to 63.5 cents per gallon, while the average rack price decreased 3.3 cents to 57.8 cents per gallon. The average price for bulk sales declined 3.1 cents to 53.6 cents per gallon. Reformulated gasoline (RFG) prices outstripped conventional gasoline prices by 2.1 cents at retail and 3.3 cents at wholesale. Oxygenated gasoline prices were 6.3 cents higher than conventional gasoline prices at retail and 6.6 cents higher at wholesale.
- Total refiner sales of gasoline increased slightly in December, rising 5.5 million gallons per day (1.5 percent), to an average of 362.7 million gallons per day. Retail sales rose 900,000 gallons per day (1.5 percent), while wholesales increased 4.6 million gallons per day (1.5 percent). Rack sales accounted for 64.0

percent of wholesales, while DTW and bulk sales made up 23.0 percent and 13.1 percent, respectively. Reformulated gasoline composed 32.4 percent of total motor gasoline sales, while oxygenated gasoline accounted for 4.4 percent.

No. 2 Distillate

Despite slow demand, high stock levels, and unseasonably warm temperatures, the daily spot price for No. 2 heating oil at New York Harbor increased during December. Opening at 53.1 cents per gallon, the price declined during the first week of the month, hitting its low of 46.7 cents per gallon on December 11. Rising after that—pulled along in large part by crude oil prices—the price hit its high of 58.7 cents per gallon on December 26. Losing some momentum after that, it closed the month at 54.8 cents per gallon.

- Like gasoline prices, No. 2 distillate prices continued on a downward path during December. The national average residential price for No. 2 distillate dropped 3.1 cents to \$1.078 per gallon. The average wholesale price fell 5.9 cents to 56.6 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets tumbled 8.3 cents, while the average wholesale price decreased 7.0 cents. The difference between low- and high-sulfur diesel fuel prices was 1.9 cents at retail but wholesale prices were at parity.
- Overall refiner sales of No. 2 distillate decreased in December, falling 4.6 million gallons (3.1 percent), to 144.1 million gallons per day. Sales of No. 2 fuel oil increased 5.4 million gallons per day (19.7 percent), while sales of No. 2 diesel fuel declined 10.0 million gallons per day (8.2 percent). Low-sulfur diesel fuel accounted for 83.9 percent of all refiner diesel fuel sales, and 64.8 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Average refiner prices for residual fuel oil declined marginally in December. Prices for low-sulfur residual fuel decreased 1.1 cents to 51.2 cents per gallon at retail, and 0.4 cent to 40.1 cents per gallon at wholesale. The average price for high-sulfur residual fuel at retail dropped 0.9 cent to 39.7 cents per gallon, while the wholesale price fell 1.3 cents to 30.6 cents per gallon. Including data reported by a sample of residual fuel oil marketers, the average low-sulfur residual fuel oil price decreased 0.8 cent to 48.1 cents

per gallon at retail. The wholesale price fell 0.1 cent to 41.5 cents per gallon. Prices for high-sulfur residual fuel oil declined 0.8 cent to 39.7 cents per gallon at retail, and 0.6 cent to 34.5 cents per gallon at wholesale.

- Refiner residual fuel oil sales increased in December, rising 2.1 million gallons per day (10.4 percent), to 22.2 million gallons per day. Low-sulfur residual fuel sales rose 1.2 million gallons per day (15.8 percent), while high-sulfur residual fuel oil sales increased 1.0 million gallons per day (8.1 percent).

Other Products

- Prices for other products declined in December. Refiner propane prices dropped 3.3 cents per gallon at retail and 3.2 cents per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price fell 0.8 cent per gallon. The average retail price barely changed, dropping 0.1 cent, while the wholesale price fell 2.7 cents. Prices for kerosene, kerosene-type jet fuel, aviation gasoline, No. 1 distillate, and No. 4 distillate declined at both retail and wholesale.
- Refiner sales of propane rose at both retail and wholesale in December, as did sales of kerosene and No. 1 distillate. Sales of aviation gasoline fell at both levels. Kerosene-type jet fuel sales increased at retail but fell at wholesale, while sales of No. 4 distillate did just the opposite.